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SUBJECT: UKRAINE: AEROSVIT, BOEING SIGNING WORTH UP TO \$1 BILLION

REF: KYIV 01168

¶1. On August 2, Ukraine's largest carrier Aerosvit and Boeing signed a purchase agreement for seven 737s valued at \$523 million. Aerosvit also secured an option to purchase another seven 737S, potentially making the deal worth more than \$1 billion. This order marks Aerosvit's first direct purchase from Boeing since the carrier was founded in 1994.

Aerosvit, which currently operates only leased Boeing aircraft, will gradually replace its fleet of 13 Classic 737s with Next-Generation 737s. The Aerosvit order is the largest purchase of U.S. aircraft in the region, and the largest single commercial transaction between the United States and Ukraine to date.

¶2. The signing marked the successful completion of a year-long tender process for Boeing in which Boeing prevailed over Airbus. Aron Mayberg, President and CEO of Aerosvit, and Craig B. Jones, Boeing's Vice President for Russia/CIS, signed the purchase agreement on behalf of Aerosvit and Boeing respectively. Ukrainian government officials who attended the ceremony included: Minister of Transport and Communications Mykola Rudkovsky, First Deputy Minister of Finance Vadym Kopylov, Chairman of the State Aviation Administration of Ukraine Anatoliy Kolisnyk, and Deputy Head of the Presidential Administration Viktor Bondar. DCM James Pettit attended the event on behalf of U.S. Embassy Kyiv.

¶3. As part of the agreement, Aerosvit will lease 11 new Boeing Next-Generation 737s from 2008-2011, to help Aerosvit facilitate the airline's expansion plans while Aerosvit's order is filled. The 7 newly purchased aircraft will be delivered between 2011 and 2014. In addition, Aerosvit and Boeing plan to begin contract negotiations on the purchase of wide-body aircraft later this year. As part of its fleet renovation program, Aerosvit intends to purchase four wide-body jets; Boeing has tentatively offered Aerosvit four 787 Dreamliners.

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